A puzzle: Ukraine and the IMF. (International Monetary Fund)

LIKE one of those infuriating toys, Ukrainian reform means getting lots of little balls into the right holes at the same time. The coming fortnight will decide whether **Ukraine**'s president, Leonid Kuchma, can do the trick or not. If he fails, says Anders Aslund, an adviser to the government and a veteran of other reform programmes in ex-communist countries, it will mean a "serious loss of face for President Kuch- ma and a danger to Ukrainian reform."

Mr Kuchma's deadline is March 29th, when the executive board of the **IMF** is due to decide whether to confirm a $1.5 billion loan under a standby agreement reached with the Ukrainian government on March 3rd. Mr Kuchma rolled the first ball into place on March 1st, when he sacked Vitaly Masol, an anti-reformer, as prime minister. His acting replacement is Yevgeny Marchuk, a former head of the Ukrainian Security Service (the renamed KGB.) Mr Marchuk has a reputation as a loyal pragmatist.

Mr Masol's departure cleared the way for cabinet approval, two days later, of **Ukraine**'s commitments to the ***IMF.*** **Ukraine** is promising to cut its budget deficit to 3.2% of GDP this year (taking into account expected bilateral aid), from around 10% in the second half of 1994, and to continue liberalising its prices and trade rules.

But before the **IMF** board can agree to cough up the first part of the standby loan at the end of the month, Mr Kuchma has three more balls to pot. First, parliament must approve the budget. Mr Kuchma hopes that by presenting his reforms as a complete package, he will be able to ram the budget through the opposition of the communist- dominated legislature: even diehard central-planners are loth to be seen turning down $1.5 billion. The recent arrest on corruption charges of the anti-reformist parliamentary speaker, Oleksandr Moroz, may help tilt the balance the president's way.

Second, **Ukraine** needs help from Russia, to which it owes around $5 billion for energy. Of this, $1.5 billion owed to the monster Russian gas producer Gazprom has already been covered by an agreement reached on February 17th. A third of the Gazprom debt will be rescheduled; the rest will be paid in kind--including, possibly, equity in a pipeline through which Russia exports gas to Western Europe. Gazprom has drawn up a list of 15 firms planned for privatisation in which it wants stakes, an ambition which raises hackles in **Ukraine.**

Talks on $2.7 billion of Ukrainian-Russian government debt are tied up with two other problems involving Russia. The first concerns Russia' s own negotiations with the **IMF** on a $6.5 billion loan. The Fund is putting pressure on Russia to agree to renegotiate the Ukrainian bilateral debt before it will confirm the Russian loan (which the board is also due to do by early April). The second concerns the ex-Soviet Black Sea fleet. On February 8th, **Ukraine** conceded that Russia should be allowed to continue basing its share of the fleet at the Crimean port of Sebastopol. In return, **Ukraine** wants Russia to pay some hefty rent, which could be used to reduce **Ukraine**'s debt to Russia. Agreements on the debts and the fleet are due to be signed during a visit by Boris Yeltsin to Kiev at the end of this month.

Third, **Ukraine** needs promises of $900m of bilateral support from America, the European Union and Japan. America is keen to do its bit. But the Europeans--France and Britain especially--are less sure. When asked to divvy up in December, the EU promised what Boris Sobolev, a deputy finance minister, called a "humiliating" 85m ecus ($100m) on three conditions: that **Ukraine** would agree on standby terms with the **IMF,** clear arrears on an existing 103m ecu debt to the EU, and begin closing the Chernobyl nuclear power station. The stand-by and the arrears have been dealt with, but closing Chernobyl remains a huge technical problem. If the EU procrastinates again--donor countries meet in Paris on March 21st-- Japan will drop out too.

So Mr Kuchma's timetable is tight. And if he fails? "First, the **IMF** can't decide on a standby," says Mr Aslund, "then they have to renegotiate and go for a much tougher budget." In other words, Mr Kuchma has to start rolling balls into holes--trickier ones this time--all over again.

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